

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

<b>(1) DEPARTMENT</b> Treasurer/Tax Collector/Public Administrator	<b>(2) MEETING DATE</b> 12/13/2011	<b>(3) CONTACT/PHONE</b> Art Bacon, (805) 781-5849 Gordon Eiland, (805) 781-5848	
<b>(4) SUBJECT</b> Submittal of the County Treasury Investment Policy for calendar year 2012.			
<b>(5) RECOMMENDED ACTION</b> It is recommended that your Honorable Board approve the County Treasury Investment Policy for the calendar year 2012.			
<b>(6) FUNDING SOURCE(S)</b> n/a	<b>(7) CURRENT YEAR FINANCIAL IMPACT</b> \$0.00	<b>(8) ANNUAL FINANCIAL IMPACT</b> \$0.00	<b>(9) BUDGETED?</b> n/a
<b>(10) AGENDA PLACEMENT</b> <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation (Time Est. _____) <input type="checkbox"/> Hearing (Time Est. _____) <input type="checkbox"/> Board Business			
<b>(11) EXECUTED DOCUMENTS</b> <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A		<b>(12) BUDGET ADJUSTMENT REQUIRED?</b> BAR ID Number: <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	
<b>(13) OUTLINE AGREEMENT REQUISITION NUMBER (OAR)</b> n/a		<b>(14) W-9</b> <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	
<b>(15) LOCATION MAP</b>  N/A	<b>(16) BUSINESS IMPACT STATEMENT?</b>  No	<b>(17) AGENDA ITEM HISTORY</b>  <input type="checkbox"/> N/A    Date <u>November 23, 2010</u>	
<b>(18) ADMINISTRATIVE OFFICE REVIEW</b>  <div style="height: 40px;"></div>			
<b>(19) SUPERVISOR DISTRICT(S)</b> All Districts -			

# County of San Luis Obispo



TO: Board of Supervisors

FROM: Treasurer/Tax Collector/Public Administrator / Art Bacon, (805) 781-5849  
Gordon Eiland, (805) 781-5848

DATE: 12/13/2011

SUBJECT: Submittal of the County Treasury Investment Policy for calendar year 2012.

## **RECOMMENDATION**

It is recommended that your Honorable Board approve the County Treasury Investment Policy for the calendar year 2012.

## **DISCUSSION**

### **Summary**

The Treasury Investment Policy (Policy) is reviewed annually. Again this year, there are no changes from prior years to the Policy's overall investment philosophy, objectives, priorities, or to specific investment restrictions, which all remain conservative compared to many other counties. This year's review focuses on three goals: 1) to improve clarity and organization, 2) to ensure the County of San Luis Obispo has the most thorough and comprehensive investment policy among county governments, and 3) to provide more flexibility to react to changing market conditions.

### **Background**

The Treasury Investment Policy was established in May 1983 by the County Treasurer (the first written county investment policy in the State). The purpose is to clearly state investment guidelines for the protection of funds, define the objectives of managing the funds, and maintain internal controls and reporting requirements. The primary objectives in order of priority, by law, are safety, liquidity, and yield, while maintaining compliance with federal, state, and local laws and regulations. The Policy is revised at least annually.

### **No Material Change to Philosophy**

In making investment decisions, the County Treasurer continues to emphasize safety of principal above all other considerations, followed by liquidity, and then yield. The investment restrictions contained in the policy continue to reflect this philosophy and have not changed from prior years.

### **Improved Clarity and Organization**

The Policy has been reformatted and reorganized into five main sections: 1) Overview, 2) Administration, Controls, and Oversight, 3) Investments, 4) Bank Accounts, and 5) Reports. Investment restrictions are now summarized in a single table on one page.

## **Expanded Reference Information**

Changes to appendices include a new section on credit and debt ratings and an expanded glossary.

### **Use of Bank Deposit Accounts**

Under current market conditions, leaving money in bank deposit accounts is often advantageous. Safety on bank accounts is provided either through full FDIC insurance under the Dodd-Frank Act, or through pledged securities as collateral, whose market value exceeds the principal per California Government Code. The market value of the collateral currently exceeds the County's account balances by over 20%. Liquidity is immediate, and yield is often attractive compared to alternatives. The Policy now includes sections on use of bank accounts to earn interest as well as fee credits, which are used to reduce the County's banking costs.

### **Flexibility to Make Adjustments**

To provide flexibility to respond quickly to changing market conditions, the Policy allows the Treasurer to make an exception to the restrictions, within government code limits, when necessary to act in the best interest of the County to ensure safety, liquidity and yield, in that priority order.

### **OTHER AGENCY INVOLVEMENT/IMPACT**

The Policy was approved on November 2, 2011, by the County Treasury Oversight Committee, which includes the County Auditor-Controller, representatives from the County Board of Supervisors, the County Office of Education, and the County School and Community College Districts, and a member of the public.

### **FINANCIAL CONSIDERATIONS**

Since 1983, the Policy has provided an important foundation for maintaining the safety of funds in the investment pool. There are no budget or staffing changes to implement the policy.

### **RESULTS**

One of the goals of the County Treasury is to manage the investment pool in a manner that ensures the preservation of capital and provides the ability to meet the cash flow needs of the investment pool participants. The 2012 Investment Policy will further enhance the Treasurer's ability to attain this goal. In addition, the Policy provides information to the Board of Supervisors and the public regarding the stringent control exercised by the County Treasurer over the investment of public funds. These results are consistent with the County's goals to maintain "A Prosperous and Well Governed Community."

### **ATTACHMENTS**

1. County Treasury Investment Policy for calendar year 2012